

## Message Text

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12/53

ACTION NEA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 RSC-01 USIA-06 PRS-01

SP-02 IO-10 FEA-01 AEC-05 AID-05 CEA-01 CIEP-01

COME-00 EB-07 FPC-01 H-01 INT-05 L-02 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SS-15 STR-01 TRSE-00 FRB-03 /129 W

----- 039134

R 220910Z JAN 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 2486

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

AMEMBASSY MANAMA

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 0179

C O R R E C T E D C O P Y (ADDING INFO ADDEES )

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJ: UAE MINISTER OF PETROLEUM COMMENTS ON OIL POLICY

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1. SUMMARY: UAE MINPET OTAIBA DISCUSSED FORTHCOMING OPEC MEETING

IN ALGIERS, PRODUCTION LEVELS, QUESTION OF 100 PERCENT PARTICIPATION AND CONSUMER-PRODUCER DIALOGUE DURING LENGTHY MEETING WITH AMBASSADOR. KEY POINT WAS OTAIBA STATEMENT THAT UAE INTENDED DROP PRICE ITS CRUDE BY REDUCING SULPHUR DIFFERENTIAL BY 15 TO 40 CENTS ON VARIOUS VARIETIES ABU DHABI CRUDE. OTAIBA ASKED THAT THIS INFO BE KEPT CONFIDENTIAL UNTIL HE HAS HAD CHANCE DISCUSS MATTER WITH SHAIKH ZAYID AND ANNOUNCEMENT MADE. END SUMMARY.

2. I HAD HOUR AND HALF CONVERSATION WITH MINPET OTAIBA AT HIS HOM JANUARY 21 WHICH COVERED WIDE VARIETY OF SUBJECTS. THIS MESSAGE SUMMARIZES HIS COMMENTS ON OIL).

3. HE WILL BE HEADING UAE DELEGATION TO JAN 24 ALGIERS CONFERENCE, ACCOMPANIED BY MINISTER OF STATE FOR FOREIGN AFFAIRS GHUBBASH AND VARIOUS OIL AND FINANCIAL EXPERTS. OTAIBA SAID TASK OF CONFERENCE WOULD BE TO PREPARE AGENDA FOR OPEC SUMMIT WHICH ALGERIAN GOVERNMENT WANTS. THERE WERE TWO BROAD AREAS TO BE COVERED, FIRST, WHAT POSITION OPEC WOULD TAKE GOING INTO PRODUCER/CONSUMER CONFERENCE, AND SECOND, WHOLE QUESTION OF PRICING AND PRODUCTION POLICY IN 1975 SO THAT STABLE ARRANGEMENTS COULD BE ENTERED INTO WITH COMPANIES. WE HAVE LEARNED INDEPENDENTLY THAT UAE TEAM WILL PROCEED TO PARIS IMMEDIATELY AFTER ALGIERS FOR NEGOTIATIONS WITH OIL COMPANIES ON 1975 ARRANGEMENTS.

4. IN RESPONSE TO MY QUERY AS TO HOW HE VIEWED RECENT SHARP DROP IN ABU DHABI PRODUCTION, OTAIBA SAID SOMETHING HAD TO BE DONE ABOUT IT. OTAIBA HAD PROPOSED SUBSTANTIAL REDUCTION IN SULPHUR DIFFERENTIAL ON ABU DHABI CRUDES AND THIS NOW HAD APPROVAL OF ABU DHABI EXECUTIVE COUNCIL. SOLE REMAINING STEP BEFORE PRICE REDUCTION PUT INTO EFFECT, ACCORDING TO OTAIBA, WAS FOR HIM TO BRIEF SHAIKH ZAYID (WHO IS AWAY IN PAKISTAN) BUT OTAIBA TREATED ZAYID'S APPROVAL AS FOREGONE CONCLUSION. ALTHOUGH OTAIBA DID NOT COMMENT AS TO WHETHER ABU DHABI'S PROPOSED ACTION WOULD BE TAKEN UP AT ALGIERS, IMPLICATION WAS THAT ABU DHABI INTENDED TO PROCEED UNILATERALLY IN ANY EVENT. OTAIBA COMMENTED THAT "DAY AFTER" ABU DHABI MAKES ITS ANNOUNCEMENT OTHER OPEC MEMBERS WILL MAKE SIMILAR REDUCTIONS, "OTHERWISE THEIR OIL WILL BE KNOCKED OUT OF THE MARKET." PROPOSED REDUCTIONS IN DIFFERENTIAL WILL BE MURBAN, FROM 70 TO 30 CENTS, ZAKUM FROM 55 TO 20, AND UM SHAIK FROM 25 TO 10. OTAIBA ASKED THAT THIS INFORMATION BE TREATED AS CONFIDENTIAL BY USG UNTIL ANNOUNCEMENT MADE, AND NOT PASSED TO ANY CONFIDENTIAL

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OTHER GOVERNMENTS.

5. I ASKED OTAIBA WHAT INFORMATION HE HAD ON PROGRESS OF ARAMCO-SAUDI NEGOTIATIONS AND WHETHER HE FELT 100 PERCENT PARTICIPATION FORMULA WOULD SERVE AS GOOD MODEL FOR UAE. OTAIBA SAID THERE WAS NO ENTHUSIASM WITHIN UAEG FOR 100 PERCENT OWNERSHIP "BUT WE WILL BE FORCED TO IT POLITICALLY." HE SAID THERE NOT MUCH POINT IN UAEG WANTING 100 PER

CENT WHEN IT DOES NOT EVEN HAVE CAPABILITY TO DISCHARGE ITS PRESENT 60 PER CENT MANAGEMENT RESPONSIBILITY. OTAIBA BELIEVED SAUDIS ARE CAUGHT UP IN MOMENTUM OF THEIR OWN MAKING AND THAT 100 PER CENT PARTICIPATION WAS INEVITABLE SOONER OR LATER. IN MEANTIME ABU DHABI WOULD ADHERE TO 85/20 TAX/ROYALTY FORMULA ON 60/40 SPLIT AND HOPED TO REACH AGREEMENT WITH COMPANIES DURING PARIS DISCUSSIONS FOLLOWING ALGIERS MEETING ON QUANTITIES AND PRICE OF BUY-BACK OIL. OTAIBA'S POSITION AGAINST 100 PERCENT PARTICIPATION PARTICULARLY INTERESTING IN THAT ABDULLAH ISMAIL, UNDERSECTY ABU DHABI DEPT PETROLEUM, TOLD DCM JAN 19 THAT THERE WAS DISPUTE WITHIN GOVERNMENT REGARDING ADVISABILITY SEEKING 100 PER CENT TAKEOVER AND THAT OTAIBA WAS LEADING ADVOCATE OF THAT COURSE. ISMAIL SAID HE PERSONALLY HAD ARGUED AGAINST CHANGING PRESENT 60/40 ARRANGEMENT BOTH BECAUSE POINT MADE BY OTAIBA RE ABU DHABI'S LACK OF ABILITY ASSUME THIS RESPONSIBILITY AS WELL AS BECAUSE HE CONCERNED THAT MANAGING COMPANIES WHO WOULD STAY ON WOULD NO LONGER HAVE INCENTIVE RUN ECONOMICAL/PROFIT ORIENTED OPERATION. ISMAIL SAID THIS DIFFERENCE OF OPINION WITHIN GOVERNMENT HAD NOT YET BEEN RESOLVED, THAT INSTEAD IT WAS AGREED TO DEFER MATTER FOR A TIME AND SEE WHAT DEVELOPED ELSEWHERE--E.G. IN SAUDI ARABIA. ISMAIL DID AGREE WITH OTAIBA, HOWEVER, THAT, REGARDLESS OF LOGIC AGAINST 100 PERCENT TAKEOVER, POLITICAL PRESSURES WOULD MAKE THIS HARD TO AVOID.

6. OTAIBA SAID HE HAD LITTLE INFORMATION ON ARAMCO-SAUDI DISCUSSIONS AND HOPE HE WOULD LEARN MORE FROM SAUDIS AT ALGIERS. HE SAID HE HAD HEARD RUMOR THAT CURRENT NEGOTIATIONS WITH ARAMCO WERE PART OF "MUCH LARGER DEAL" BETWEEN SAUDI ARABIA AND USG, INCLUDING SECURITY PROVISIONS. I SAID DEPTH OF US-SAUDI RELATIONSHIP WAS FACT, BUT I WAS UNAWARE OF ANY MASTER PLAN THAT INCLUDED CURRENT OIL NEGOTIATIONS. I BELIEVE COMPANIES WERE ACTING PRETTY MUCH ON THEIR OWN BEHALF.

7. IN COURSE OF CONVERSATION I LEFT COPY OF OUR AIDE MEMOIRE  
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ON OUR APPROACH TO CONSUMER/PRODUCER CONFERENCE WITH OTAIBA AND ASKED HIM IF HE HAD FORMULATED ANY VIEWS ON WHAT HE WOULD LIKE TO SEE EMERGE FROM CONFERENCE. HE SAID SOME FORM OF INDEXATION OF OIL AGAINST BASKET OF OTHER COMMODITIES SEEMED TO HIM TO BE ONLY FEASIBLE SOLUTION. I SAID WE WERE NOT ENTHUSIASTIC ABOUT INDEXATION BECAUSE IT REMOVED OIL FROM MARKET FORCES OF SUPPLY/DEMAND AND IF YOU DID THIS FOR OIL HOW COULD IT BE DENIED FOR OTHER COMMODITIES. OTAIBA SAID HE RECOGNIZED SERIOUS PROBLEMS WHICH INDEXATION RAISED BUT THOUGHT IT POSSIBLE SOME SCHEME COULD BE DEvised THAT INVOLVED INDEXATION AS WELL AS ALLOWING MARKET FORCES TO CONTINUE TO OPERATE, BUT HE ADDED HE HAD NOT HAD TIME TO THINK MATTER THROUGH.

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ACTION NEA-09

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AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

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STR-01 FRB-03 TRSY-02 PA-01 USIA-06 PRS-01 /132 W

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R 220910Z JAN 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 2487

INFO AMEMBASSY PARIS

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C O N F I D E N T I A L SECTION 2 OF 2 ABU DHABI 0179

8. OTAIBA SAID IN ANY CASE UAEG WELCOMED US POSITIVE DECISON TO  
WORK TOWARD PRODUCER/CONSUMER MEETING. HE SAID HE ENTIRELY UNDER-  
STOOD US POSITION THAT CONSUMERS SHOULD GO INTO MEETING WITH SOME  
STRENGTH ON THEIR SIDE. HE BELIEVED THIS WAS BEST ASSURANCE THAT  
NEGOTIATIONS WOULD LEAD TO POSITIVE OUTCOME.  
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## Message Attributes

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**Concepts:** POLICIES, SALES, PETROLEUM, PETROLEUM INDUSTRY, NATIONALIZATION, PRICES, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 JAN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** buchandr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Review Authority:** buchandr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 MAY 2003 by BoyleJA>; APPROVED <30 SEP 2003 by buchandr>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UAE MINISTER OF PETROLEUM COMMENTS ON OIL POLICY  
**TAGS:** ENRG, TC, SA, OPEC, (OTAIBA, MANA BIN SAID)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006